



Corporation Tax Act 2010

2010 CHAPTER 4

PART 2

CALCULATION OF LIABILITY IN RESPECT OF PROFITS

CHAPTER 4

CURRENCY

The currency to be used in tax calculations

5 Basic rule: sterling to be used

- (1) For corporation tax purposes the income and chargeable gains of a company for an accounting period must be calculated and expressed in sterling.
- (2) See the following sections for provision about the application of subsection (1) in certain cases where profits or losses fall to be calculated in accordance with generally accepted accounting practice—
 - section 6 (UK resident company operating in sterling and preparing accounts in another currency),
 - section 7 (UK resident company operating in currency other than sterling and preparing accounts in another currency),
 - section 8 (UK resident company preparing accounts in currency other than sterling),
 - section 9 (non-UK resident company preparing accounts in currency other than sterling).

6 UK resident company operating in sterling and preparing accounts in another currency

- (1) This section applies if, for a period of account, in accordance with generally accepted accounting practice, a UK resident company—
 - (a) prepares its accounts in a currency other than sterling, and
 - (b) in those accounts identifies sterling as its functional currency.
- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as if the company prepared its accounts in sterling.

7 UK resident company operating in currency other than sterling and preparing accounts in another currency

- (1) This section applies if, for a period of account, in accordance with generally accepted accounting practice—
 - (a) a UK resident company prepares its accounts in one currency,
 - (b) in those accounts it identifies another currency as its functional currency, and
 - (c) that other currency is not sterling.
- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows—
 - Step 1*
Calculate those profits or losses in the functional currency as if the company prepared its accounts in that currency.
 - Step 2*
Take the sterling equivalent of those profits or losses (see section 11).
- (3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the functional currency of the company.

8 UK resident company preparing accounts in currency other than sterling

- (1) This section applies if, for a period of account—
 - (a) a UK resident company prepares its accounts in a currency other than sterling (the “accounts currency”), and
 - (b) neither section 6 nor section 7 applies.
- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows—
 - Step 1*
Calculate those profits or losses in the accounts currency.
 - Step 2*
Take the sterling equivalent of those profits or losses (see section 11).
- (3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the accounts currency of the company.

9 Non-UK resident company preparing return of accounts in currency other than sterling

- (1) This section applies if—
 - (a) a non-UK resident company carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom, and
 - (b) for a period of account, the company prepares its return of accounts in a currency other than sterling (the “accounts currency”).
- (2) Profits or losses of the company for the period that fall to be calculated in accordance with generally accepted accounting practice for corporation tax purposes must be calculated in sterling as follows—
 - Step 1*
Calculate those profits or losses in the accounts currency.
 - Step 2*
Take the sterling equivalent of those profits or losses (see section 11).
- (3) If this section applies, assume that any sterling amount mentioned in the Corporation Tax Acts is its equivalent expressed in the accounts currency of the company.
- (4) The reference in subsection (1) to the company’s “return of accounts” is to a return of such accounts of its permanent establishment in the United Kingdom as may be required under paragraph 3 of Schedule 18 to FA 1998 (company tax returns).